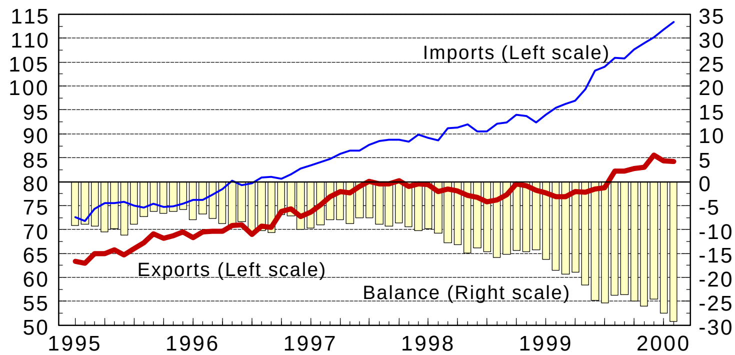
U.S. TRADE IN PERSPECTIVE
U.S. Department of Commerce, International Trade Administration, Trade Development April 2000

February's Trade Deficit Sets Record as Exports Slip and Oil Prices Rise

Recent Developments: *U.S. exports of goods and services declined $0.2 billion to $84.2 billion, and imports rose $1.6 billion to $113.4 billion in February. The deficit rose to $29.2 billion, $1.8 billion larger than the revised data for January. U.S. imports, as well as the petroleum and overall trade deficits, reached record levels in February.*

Trade Performance: In the first two months of 2000, exports were up 9.0 percent, while imports were up 18.9 percent from a year earlier. Year-to-date, the goods and services deficit was $340 billion (annual rate), compared with a deficit of $268 billion in 1999.

U.S. INTERNATIONAL TRADE
(Billions of dollars)



U.S. merchandise imports of $96.2 billion were a record in February—with increased spending on petroleum and capital goods. A $1.6 billion rise in imports of crude oil was the result of both higher prices and increased volume. Exports fell to $60.2 billion, following a $900 million decline in aircraft sales associated with the Boeing strike.

As the American economy continues to perform much better than its trading partners, U.S. imports have been rising faster than its exports, resulting in a deterioration of the trade deficit. Because the U.S. dollar is still gaining strength, U.S. exports are becoming more expensive and imports cheaper, adding to the trade deficit.

A couple of new trade records were set in February:

- The monthly petroleum deficit ($8.8 billion) is the highest on record.
- The monthly trade deficit with OPEC ($3.2 billion) and imports from OPEC ($4.9 billion) were records.
- Monthly imports from Mexico ($10.4 billion) and South/Central America ($5.8 billion) were records.
- Monthly exports of consumer goods ($7.3 billion) were a record.
- Records were also set for monthly imports of industrial supplies and materials ($23.8 billion) and capital goods ($26.9 billion).

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U.S. Merchandise Trade with the World

In the first two months of 2000, the United States had the largest trade deficits with Japan, China, Canada, Germany, and Mexico. Altogether, these five countries accounted for 65 percent of the U.S. merchandise trade deficit. From a year ago, the largest increase in the trade deficit occurred with Canada (up $16 billion, annual rate) and the second largest with Japan (up $14 billion).

The Top Five Deficit Countries in U.S. Trade: January-February 2000
(Billions of dollars; percent)

Country	Exports		Imports		Balance (annual rate)
	Value	% Change[1]	Value	% Change[1]	
Japan	9.7	3.0	22.0	13.8	-73.8
China	1.8	7.1	13.5	20.2	-69.9
Canada	28.3	12.6	35.8	19.7	-44.9
Germany	4.2	1.7	8.8	14.7	-27.3
Mexico	16.2	35.4	20.0	29.8	-22.8

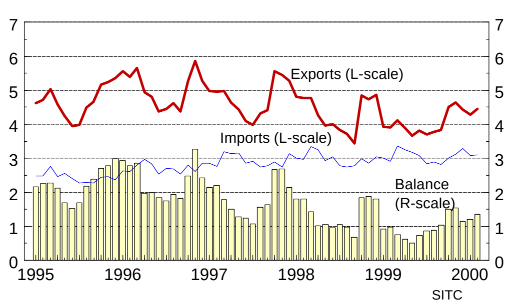
[1]Percent changes are for January-February 2000 over the same period in 1999.

The U.S. trade deficit with the Western Hemisphere was $84.6 billion (annual rate) thus far in 2000, nearly twice the level during the same period last year. The U.S. trade deficit with the European Union widened more than twofold. The deficit with Asia, by far the largest, grew by one-third.

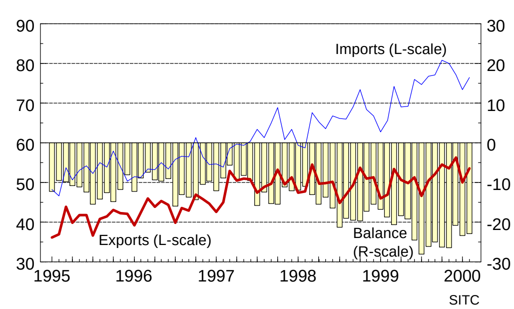
U.S. International Trade by Sector

Year-to-date, exports of agricultural goods were up11.6 percent from a year ago; imports were $6.2 billion, up 4.4 percent. The agricultural surplus was $15.3 billion (annual rate) in the first two months of 2000, compared with $11.4 billion a year ago. Exports of manufactured goods were up 11.5 percent from a year ago, while imports were up 16.7 percent. The manufactures deficit was $277.7 billion (annual rate) thus far this year, compared with $212.9 billion a year ago.

Agricultural Goods
(Billions of dollars)



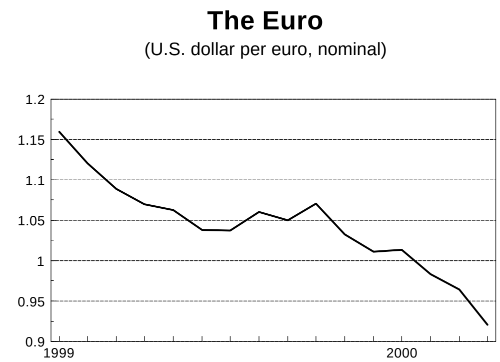
Manufactured Goods
(Billions of dollars)



E

urope: The Euro, Trade, and the Economy

On January 1, 1999, 11 of the 15 European Union members—Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain—launched a single currency, the euro. Since its inception, the euro has fallen 20 percent against the dollar (in nominal values), because U.S. economic growth and interest rates have been higher than in the euro zone. The euro zone's foreign trade, which accounts for less than 15 percent of its GDP, is in surplus. The European Commission predicts that the euro zone's real GDP will grow 3.4 percent in 2000, up from 2.3 percent last year.



The **German** economy, which accounts for a third of the euro zone's total output, grew 1.5 percent in 1999. Since the beginning of last year, the decline in the euro has made German exports more competitive outside the euro bloc. Germany enjoys a trade surplus with the world. In addition to booming exports, economic growth in Germany has also been spurred by expenditures incurred by households, business, and government sectors. The unemployment rate is declining gradually and the stock market has soared since early 1999.

Real GDP in **France** grew 2.7 percent last year. It is the second largest economy in the euro zone. Exports account for a quarter of the overall French economy. These exports have become more competitive in world markets with the fall in the euro. France has a surplus in its international trade. Interest rates are at low levels and inflation remains subdued. The stock market remains buoyant.

In 1999, **Italy**'s economic growth rate was 1.4 percent. Inflation, interest rates, and the unemployment rate are down, while the stock market is up. Exports constitute about 25 percent of GDP. Sixty percent of Italy's exports are Europe-bound. Its trade balance with the world is in surplus. Because consumer confidence has risen, household spending is likely to go up, which is the key to a healthy recovery in Italy.

Led by strong domestic demand, **Spain's** economy grew 3.7 percent in 1999. This robust growth had absorbed a flood of imports. On the other hand, 70 percent of its exports, which are sold in Europe, were hit hard as a result of the economic slump there last year. Spain's trade deficit with the world has been deteriorating. Inflation has edged up recently. Although the unemployment rate has been declining, it is still above the euro zone's average.

Economic growth in the **United Kingdom** slowed to 2.0 percent in 1999. Unemployment has fallen to 4 percent and the inflation rate is now 2 percent. A strong pound has made British exports less competitive, resulting in a growing trade deficit. The United Kingdom's trade balance, which had been in deficit with the United States, turned into a surplus in 1999.